

## ★CHAPTER 13

**FISCAL YEAR 2000 ADJUSTMENTS, ELIMINATIONS, AND OTHER SPECIAL  
INTRAGOVERNMENTAL RECONCILIATION PROCEDURES**★1301 GENERAL

130101. This chapter provides format, content, and instruction for: (a) the preparation and presentation of worksheets in support of trading partner exchange of data, (b) eliminations for the Department of Defense (DoD) annual financial statements, and (c) providing elimination information for use in the preparation of the government-wide financial statements.

130102. The Department's accounting systems were designed and implemented prior to the establishment of the requirement to eliminate intragovernmental transactions. These accounting systems do not capture trading partner information at the transaction level. Therefore, current systems cannot produce the data necessary for reconciliations between buyers and sellers. Additionally, the problem of accurately identifying, summarizing, and eliminating all intragovernmental transactions by customers is a federal government-wide problem. Currently, several groups have been established to develop a solution for the entire federal government. Therefore, this chapter provides interim policies and procedures to be used until required systems and process improvements can be implemented.

★1302 BACKGROUND

130201. All DoD reporting entities are required to report intragovernmental eliminations (proprietary accounts for fiscal year (FY) 2000) in the FY 2000 annual financial statements to offset the effect of transactions between: (a) a DoD reporting entity and other federal agencies, (b) DoD reporting entities, and (c) organizations within a DoD reporting entity. The requirement to record elimination entries during the preparation of the Statement of Budgetary Resources and Statement of Financing has been delayed. In previous years, the Defense Finance and Accounting Service (DFAS), U.S. Army Corps of Engineers-Finance Center (USACE-FC), and the other DoD Components have used information from the DoD entity making sales or providing services ("seller-side") to another DoD entity, or to another federal agency, that is the recipient and purchaser of those goods or services ("buyer-side") as the basis for reporting intragovernmental eliminations. It was presumed that the amounts of intragovernmental accounts receivable, revenue, and advances from others (unearned revenue) reported by the seller are more accurate, and that the corresponding amounts reported by the buyer for intragovernmental accounts payable, expenses, advances, and assets (where the information is available) must be adjusted to match the seller records.

130202. For FY 2000 reporting, eliminating entries again shall be based on the information provided by the seller/service provider. This chapter provides information regarding the data that is required for FY 2000 annual financial reporting and the steps the DoD Components and DoD accounting centers (DFAS Centers and USACE-FC) must take to collect,

review, and adjust summary level trading partner data prior to eliminating the effect of intragovernmental transactions. This guidance also includes examples of basic journal entries that should be made at the departmental level to: (a) record adjustments for unrecorded buyer-side transactions needed to match seller performance, and (b) eliminate the effects of intragovernmental transactions.

130203. The transactions for which intragovernmental transaction data shall be collected can be divided into four groups: sales of goods and services to federal reporting entities, intragovernmental fiduciary transactions, transfers-in (out) and prior period adjustment.

A. Sales of goods and services to federal reporting entities. The revenues and expenses that result from transactions with other federal reporting entities must be identified and reported. See section 1303 of this volume for further guidance.

B. Intragovernmental Fiduciary Transactions. These transactions are specific level 1 transactions which have been identified by the Department of the Treasury, Financial Management Service. These transactions include: investments in Federal securities issued by the Treasury Department Bureau of Public Debt, borrowings from Treasury and the Federal Financing Bank, transactions with the Department of Labor relating to the Federal Employees' Compensation Act, and transactions with the Office of Personnel Management relating to employee benefit programs. See section 1307 of this volume for further guidance.

C. Transfers In (Out). Transfers in and out involve the transfer of assets between federal reporting entities. Statement of Federal Financial Accounting Standard (SFFAS) No. 7, "Concepts for Reconciling Budgetary and Financial Accounting" requires that transfers of assets should be recorded at the book value of the transferring entity. Accordingly, intragovernmental transfers-in of the receiving entity must be reconciled to intragovernmental transfers-out of the transferring entity and adjustments recorded to post any unrecorded amounts. Additional guidance on treatment of transfers in and transfers out is provided in section 1308 of this volume.

D. Prior Period Adjustments. Prior period adjustments involve corrections of errors and accounting changes with retroactive effect, including those occasioned by the adoption of new federal financial accounting standards, and must be recognized and measured under applicable standards. Occasionally, prior period adjustments may involve another federal reporting entity. Additional guidance on treatment of prior period adjustments is provided in section 1309 of this volume.

130204. A summary of the FY 2000 intragovernmental elimination process follows in Table 13-1.

Steps	Required Action	Presentation - Where Data is Displayed
1. The DoD accounting centers exchange Seller-side information for level 2 and 3 transactions.	For FY 2000 financial statements, the DoD reporting entities will exchange summarized trading partner data according to instructions sent out by the DFAS-Headquarters (HQ) and reconcile summary level account balances using the procedures outlined in sections 1304 and 1305 of this volume.	These are supporting worksheets and documents to the financial statements reporting process and shall be maintained by the accounting office.
2. The DoD accounting centers exchange Transfer-out information.	For FY 2000 financial statements, the DoD reporting entities will exchange summarized trading partner data according to instructions sent out by the DFAS-HQ and reconcile summary level account balances using the procedures outlined in section 1308 of this volume.	These are supporting worksheets and documents to the financial statements reporting process and shall be maintained by the accounting office.
3. The DoD accounting centers post summary level Buyer-side accruals of unrecorded portion of reimbursable related balances.	For FY 2000, use the summary level adjustments to the buyer-side records outlined in section 1306 of this volume.	These are supporting worksheets and journal vouchers that shall be maintained by the accounting office.
4. The DoD accounting centers exchange special intragovernmental fiduciary balances with other federal agencies.  Reference document: “Intragovernmental Fiduciary Transactions Accounting Guide,” September 9, 1999, prepared by the Intragovernmental Eliminations Task Force (Website address at: <a href="http://www.fms.treas.gov/cfs/dev">http://www.fms.treas.gov/cfs/dev</a> )	For FY 2000 financial statements, the DoD reporting entities will provide the special intragovernmental fiduciary transactions to four federal entities as described in section 1307 of this volume.	These are specific material intragovernmental transactions with the Bureau of the Public Debt, Borrowings from Treasury, Department of Labor, and the Office of Personnel Management. The documentation will be maintained by the accounting office.
5. The DoD accounting centers identify elimination amounts required for the eliminations column of the consolidating DoD stand-alone entity financial statements (e.g., Army General Funds) and supporting schedules (e.g., Active Army Consolidating Statements).	Using the Defense Departmental Reporting System (DDRS) trial balance data base with trading partner attributes, prepare entity and supporting schedule statements, including level 3 elimination data at the applicable level of consolidation (e.g., Army General Fund Consolidating Statements, Active Army Consolidating statements, and Navy appropriation group consolidating statements).	Elimination amounts are displayed in the eliminations columns of the entity and supporting schedule Consolidating Balance Sheet, Consolidating Statement of Net Cost, and the Consolidating Statement of Changes in Net Position.

Table 13-1

Steps	Required Action	Presentation. Where Data is Displayed
6. The DoD accounting centers identify the elimination amounts required for the eliminations column of the consolidating DoD Agency-wide financial statements.	Using the DDRS trial balance database with trading partner attributes, prepare entity statements including level 2 elimination data.	Elimination amounts are displayed in the eliminations columns or the Consolidating Balance Sheet, Consolidating Statement of Net Cost, and the Consolidating Statement of Changes in Net Position.
7. The DoD accounting centers prepare schedules of intragovernmental balances for the Required Supplementary Information Section.	Prepare the schedules with intragovernmental balances for the Required Supplementary Information Section. Include separate schedules for levels 1 and 2 eliminations in the DoD stand-alone and Agency-wide financial statement reports.	The schedules will be included in the Required Supplementary Information Section of annual financial statements. See Chapter 12 of this volume.  Level 3 eliminations schedules are not published in the annual financial statements. Level 3 schedules are maintained as supporting documents to the DoD stand-alone statements.
8. FACTS I Reporting. Ensure trading partner attributes (e.g., Government, Treasury Index) are correctly reconciled and submitted.  Reference document: Treasury Financial Manual, Transmittal Letter No. 593, Volume 1, August 14, 2000 (Website address at: <a href="http://www.fms.treas.gov/tfm/v1p2c400.pdf">http://www.fms.treas.gov/tfm/v1p2c400.pdf</a> )	Prepare one DoD Agency-wide FACTS I trial balance with notes from the same trial balance used to prepare the DoD Agency-wide financial statements. Identification of Budget Function Codes in trial balance submission is required.	Transmitted to Department of the Treasury Financial Management Service.

Table 13-1 (Continued)

★1303 LEVELS OF ELIMINATION DATA AGGREGATION

130301. With regard to sales of goods or services between federal entities, there are three levels of intragovernmental trading partners for which intragovernmental transactions must be identified.

A. Level 1 Eliminations. Level 1 refers to interagency government eliminations. These are eliminations between the DoD and other federal agencies, e.g., between the Department of the Air Force and the Department of Commerce. Level 1 eliminations are identified by Treasury Index (TI) codes and are required to prepare the “Financial Report of the U.S. Government” (FRUSG), formerly called the “Consolidated Financial Statement of the United States.” The Department of the Treasury prepares the FRUSG from the trial balances reported by federal agencies via the FACTS I. Intragovernmental transactions and balances refer to those transactions and related balances with other components of the U.S. Government. Transactions include (1) sales of goods and services to other U.S. Government agencies on a reimbursable basis, or (2) specialized transactions, such as loans, interest receivable, other post-employment benefits, or civil service retirement benefit payments with partner agencies. The

partner agencies in (2) include, but are not limited to, the Bureau of Public Debt, Federal Financing Bank, Department of Labor and the Office of Personnel Management (OPM). The DoD reporting entities are to document the procedures the entity used to identify and verify the accuracy of its intragovernmental receivables, payables, revenues, expenses, and gain and loss transactions. Guidance on level 1 trading partner transactions is provided in sections 1307 and 1311 of this volume.

B. Level 2 Eliminations. Level 2 refers to intra-DoD eliminations. These are eliminations between the DoD reporting entities, e.g. between the Department of the Army Working Capital Funds (WCF) and the Department of the Navy General Funds. The DoD reporting entities are identified in Chapter 1, paragraph 010601 of this volume. Level 2 eliminations are identified by TI codes and supplemental internal DoD codes. These amounts are used in the preparation of the DoD Agency-wide Consolidated Annual Financial Statements. Guidance on level 2 trading partner transactions is provided in sections 1304 through 1306 of this volume.

C. Level 3 Eliminations. Level 3 refers to intra-DoD entity level consolidating statement eliminations. These are eliminations between components of the DoD audited financial statement reporting entities, i.e., Army WCF, Supply Management and Army WCF, Depot Maintenance, Other; and Department of the Navy General Fund, Operations and Maintenance and Department of the Navy General Fund, Research Development, Test, and Evaluation (RDT&E). There are up to four sublevels of eliminations. The elimination totals are shown on the DoD reporting entity's supporting consolidating statements. For example, the Navy General Funds level 3 eliminations would be between: (a) Navy and Marine Corps, (b) Navy Military Personnel and Navy Procurement, (c) Navy Military Personnel trial balance AT17AA1\_1453 and Navy Military Personnel trial balance AT17AA1\_1405, and (d) internally within Navy Military Personnel trial balance AT17AA1\_1453. Guidance on level 3 trading partner transactions is provided in sections 1304 through 1306 of this volume.

★1304 AGGREGATION AND EXCHANGE OF INTRA-DOD TRADING PARTNER DATA ON THE SALE OF GOODS AND SERVICES

130401. In DoD systems, at the present time, seller-side information is more complete or determinable than buyer-side information because more detailed information has been required to support programs with reimbursement authority. In many cases, systems limitations do not enable the DoD accounting centers to break out the buyer's side governmental accounts payable, costs, and advances by specific trading partner without an unreasonable amount of effort by the DoD accounting centers and the DoD Components. Furthermore, the timeframes involved in the transmission of transaction data from sellers to buyers cause delayed receipt and recording of transactions in the buyer's account. In other words, the buying activity may not have: (a) recorded expenses equal to the earnings reported by the performer, (b) recorded accounts payable equal to the accounts receivable reported by the performer, and (c) recorded all of the changes in the status of advances provided to the performer. For the reasons stated above, the Department will base its FY 2000 intragovernmental reporting for sales and services primarily on seller-side data.

Therefore, even more emphasis must be placed on ensuring the completeness and accuracy of data provided by the sellers for accounts receivable, earned revenue, and advances from others (unearned revenue). All DoD accounting centers and DoD Components must work jointly to extract seller-side information for their intragovernmental trading partners. Seller-side intragovernmental balances must be accumulated at the buyer-side entity code trial balance level (see Appendix A). The accounting centers then compare these balances to summary buyer-side data at the entity code trial balance level. Based on these comparisons, the amount of unrecorded intragovernmental transactions on the buyer-side can be calculated and the applicable accrual entries recorded. Seller-side information must be distributed at the entity code trial balance level. The DoD accounting centers must examine different allocation methods, statistical sampling, or any other solution that will break down the data to this level. Personnel at the operating locations, the budget offices, or the customer's financial management offices should be contacted, as they may be able to assist with this effort. Each accounting center shall formulate its plan to identify both buyer-and seller-side trading partner data and submit it to DFAS-HQ. Any allocation method used must be documented and appropriate documentation must be maintained.

130402. The DoD accounting centers, in conjunction with the supported DoD Components, will accumulate seller-side data at the buyer entity code trial balance level and use it to adjust buyer side accounts at the reporting entity level. See Chapter 2, Table 2-4 of this volume for milestones related to exchange of data with trading partners.

A. Step 1. The DoD accounting centers shall work with their customers to aggregate the seller-side balances at the buyer's entity code trial balance level. These balances will include all level 2 and 3 accounts receivable, earned revenue, and advances from others (unearned revenue) amounts for the entity code trial balance levels they service. Each accounting center shall transmit the seller-side totals to the appropriate accounting center responsible for the particular entity code trial balance level.

B. Step 2. After the seller-side balances are received, the accounting center maintaining the departmental level general ledger accounts for the buyer reporting entity makes departmental level adjusting entries to balance the appropriate account balances with the seller-side records. The adjusting entries shall be reversed at the beginning of the next fiscal year.

C. Step 3. The level 2 and level 3 eliminations shall be computed as part of the process of preparing the entity and supporting schedule level financial statements. The DoD accounting centers must ensure that the buyer-side and seller-side data are in balance before the elimination entries are prepared.

130403. In some instances, a DoD accounting center may believe that its buyer-side data is more complete, accurate, and supported than is the seller-side data. The DoD accounting center with the buyer-side data must contact the DoD accounting center providing the seller-side data to discuss any discrepancies. The DoD accounting center that is processing the buyer-side data must provide documentation to support its disagreement with the seller-side data. If both the DoD accounting centers agree that the buyer-side data is more accurate and supported, the

DoD accounting center providing the seller-side data shall use the buyer-side documentation as supporting evidence to adjust their seller-side balances when submitting seller-side data for the elimination balancing process. Such adjustments will be recorded in accordance with timeframes established annually by the DFAS-HQ.

130404. If both the DoD accounting center with the buyer-side data and the DoD accounting center with the seller-side data believe its numbers are supported, the DoD accounting centers shall work to reconcile the balances and to identify any reconciling items that must be considered during the eliminations process.

130405. When gathering, reviewing, and exchanging data with intra-DoD trading partners at all levels, the DoD accounting centers shall ensure that seller-side data provided is complete and accurate. The DoD accounting centers must review data before exchanging data with intra-DoD trading partners. This review shall identify any abnormal balances, such as negative revenue. The DoD accounting centers shall work with their customers to resolve the abnormal balances and eliminate them before exchanging intra-DoD trading partner data.

130406. The DoD accounting centers shall distribute undistributed collections and disbursements before exchanging intra-DoD trading partner data. The DoD accounting centers shall allocate undistributed collections and disbursements to accounts receivable and accounts payable to entity code trial balance level before Step 1 identified in Table 13-1.

130407. The DoD accounting centers shall ensure that the Report on Public Receivables reconciles with the ending balance for accounts receivable with the public on the financial statements. In those cases where the Report on Public Receivables does not agree with the ending balance for accounts receivable with the public on the financial statements, the DoD accounting centers shall analyze accounts receivable and identify differences. Additionally, corrective actions shall be taken to bring the report on public receivables and the financial statements into agreement.

130408. Any changes made to seller-side data after data was exchanged with trading partner shall be communicated to the trading partner. These changes shall be communicated by reissuing only the revised seller-side data to respective trading partners.

**★1305 INTRA-DOD SELLER/BUYER ACCRUAL ADJUSTMENT CALCULATION**

130501. The seller-side entity code trial balance level balances for accounts receivable, advances from others (unearned revenue), and earned revenue are provided to the accounting center responsible for the buyer-side entity code trial balance level. The buyer-side accounting center compares this seller-side data to its buyer-side intra-DoD governmental balances for accounts payable, advances to others, and purchases, respectively. The resulting reconciling calculation is reflected in Table 13-2 using the applicable United States Government Standard General Ledger (SGL) accounts.

<u>Total of Seller Amounts Reported for the Entity Code Trial Balance Level</u>		<u>Buyer Entity Code Trial Balance Level Balances</u>		<u>Amount of Accrual Adjustment</u>
1310 (Fed) Accounts Receivable	Less	2110 (Fed) Accounts Payable	Equals	
2310 (Fed) Advances from Others	Less	1410 (Fed) Advances to Others	Equals	
2320 (Fed) Deferred Credits	Less	1450 (Fed) Prepayments	Equals	
5100 (Fed) Revenue from Goods Sold Plus	Less	6100 (Fed) Operating Expenses/ Program Costs (related to goods or services purchased) Plus	Equals	
5200 (Fed) Revenue from Services Provided Plus		6500 (Fed) Cost of Goods Sold Plus		
5400 (Fed) Benefit Program Revenue Plus		6900 (Fed) Nonproduction Costs		
5900 (Fed) Other Revenue				

Table 13-2

★1306 RECORDING BUYER SIDE DEPARTMENTAL LEVEL INTRA-DOD  
TRANSACTION BALANCE ADJUSTMENTS

130601. The following adjusting entries are based upon the data presented in Table 13-3. The data presented for the selling activity in Table 13-3 represents the aggregated totals (for selected accounts) of all entities that provided goods or services to the buyer. The summary proprietary balances of the sellers are compared to the related proprietary balances of the buyer. At the departmental level, the buyer-side balances are adjusted so that the proprietary accounts equal the totals from the sellers' records for intra-DoD transactions. In addition, the buyer-side related budgetary accounts are adjusted. These adjusting entries must be reversed at the start of the next fiscal year. Subparagraphs A through C, below, provide sample general ledger transactions to record these adjustments. Table 13-3 contains the sample balances used in the sample transactions in those subparagraphs.

<b>SUM OF ALL INTRA-DOD SELLER-SIDE BALANCES FOR A SINGLE BUYER-SIDE ENTITY CODE TRIAL BALANCE</b>				
<b>SGL Account</b>	<b>Attri- bute(s)</b>	<b>Title of Account</b>	<b>Debit Balance</b>	<b>Credit Balance</b>
1310	(Fed)	Accounts Receivable	700,000	
2310	(Fed)	Advances from Others		100,000
2320	(Fed)	Deferred Credits		500,000
5200	(Fed)	Revenue from Services Provided		4,300,000

Table 13-3



A. Entry 1 - Accounts Receivable/Accounts Payable

The seller-side balances reflect Accounts Receivable of \$700,000. The buyer-side balances reflect Accounts Payable of \$300,000. The buyer-side records are adjusted to record the unrecorded increase in Accounts Payable of \$400,000.

## 1. Entry 1.A. - Accounts Payable Accrual Adjustment for General Fund Reporting Entities

Dr	6100	Operating Expenses/Program Costs (Fed)	400,000
Cr	2110	Accounts Payable (Fed)	400,000
Dr	4801	Unexpended Obligations - Unpaid (Fed)	400,000
Cr	4901	Expended Authority - Unpaid (Fed)	400,000
Dr	3100	Unexpended Appropriations	400,000
Cr	5700	Appropriations Used	400,000

## 2. Entry 1.B. - Accounts Payable Accrual Adjustment for Working Capital Fund Reporting Entities

Dr	6100	Operating Expenses/Program Costs (Fed)	400,000
Cr	2110	Accounts Payable (Fed)	400,000
Dr	4801	Unexpended Obligations - Unpaid (Fed)	400,000
Cr	4901	Expended Authority - Unpaid (Fed)	400,000

B. Entry 2 – Advances from Others (Unearned Revenue)/Advances to Others

The seller-side balances reflect Unearned Revenue (Account 2310, Advances from Others) of \$100,000. The buyer-side records reflect Advances (Account 1410, Advances) of \$700,000. The buyer-side records are adjusted to record the unrecorded decrease in Advances of \$600,000.

## 1. Entry 2.A. – Advances to Others Accrual Adjustment for General Fund Reporting Entities

Dr	6100	Operating Expenses/Program Costs (Fed)	600,000
Cr	1410	Advances to Others (Fed)	600,000
Dr	4802	Unexpended Obligations - Paid (Fed)	600,000
Cr	4902	Expended Authority - Paid (Fed)	600,000
Dr	3100	Unexpended Appropriations	600,000
Cr	5700	Appropriations Used	600,000

2. Entry 2.B. – Advances to Others Accrual Adjustment for Working Capital Fund Reporting Entities

Dr	6100	Operating Expenses/Program Costs (Fed)	600,000	
Cr	1410	Advances to Others (Fed)		600,000
Dr	4802	Unexpended Obligations - Paid (Fed)	600,000	
Cr	4902	Expended Authority - Paid (Fed)		600,000

C. Entry 3 – Deferred Credits/Prepayments

The seller-side balances reflect Unearned Revenue (Account 2320, Deferred Credits) of \$500,000. The buyer-side records reflect Prepayments (Account 1450, Prepayments) of \$900,000. The buyer-side records are adjusted to record the unrecorded decrease in the Prepayments of \$400,000.

1. Entry 3.A. – Prepayments Accrual Adjustment for General Fund Reporting Entities.

Dr	6100	Operating Expenses/Program Costs (Fed)	400,000	
Cr	1450	Prepayments (Fed)		400,000
Dr	4802	Unexpended Obligations - Paid (Fed)	400,000	
Cr	4902	Expended Authority - Paid (Fed)		400,000
Dr	3100	Unexpended Appropriations	400,000	
Cr	5700	Appropriations Used		400,000

2. Entry 3.B. – Prepayments Accrual Adjustment for Working Capital Fund Reporting Entities

Dr	6100	Operating Expenses/Program Costs (Fed)	400,000	
Cr	1450	Prepayments (Fed)		400,000
Dr	4802	Unexpended Obligations - Paid (Fed)	400,000	
Cr	4902	Expended Authority - Paid (Fed)		400,000

D. Entry 4 - Revenue/Cost

The process used within the Department to post undistributed disbursements necessitates an allocation of the undistributed disbursements between Account 4902 (Fed) Expended Authority Paid – Government, and Account 4902 (NFed) Expended Authority Paid – Nongovernment. Because an allocation is used, the governmental costs reported by the buyers may not agree with the governmental revenue reported by the sellers. If this occurs, a

reclassification of costs and expended authority paid between government and nongovernment on the books of the buyer will be required. The adjustment will be made to the buyer-side entity code trial balance level balances.

Dr	6100	Operating Expenses/Program Costs (Fed)	100,000	
Cr	6100	Operating Expenses/Program Costs (NFed)	100,000	
Dr	4902	Expended Authority - Paid (Fed)	100,000	
Cr	4902	Expended Authority - Paid (NFed)	100,000	

130602. In some situations, buyers have reported accounts payable greater than the accounts receivable reported by the sellers. When this situation occurs, the buyer-side entity shall reclassify a portion of accounts payable (Fed) to accounts payable (NFed). The amount to be reclassified will be the amount that is in excess of the accounts receivable reported by the seller-side. For example, the seller-side balances reflect Account Receivable of \$100,000. The buyer-side balances reflect Accounts Payable of \$300,000. The buyer-side records are adjusted to reclassify \$200,000 of Accounts Payable (Fed) to Accounts Payable (NFed).

Dr	2110	Accounts Payable (Fed)	200,000	
Cr	2110	Accounts Payable (NFed)	200,000	

#### ★1307 INTRAGOVERNMENTAL FIDUCIARY TRANSACTIONS

130701. The Department of the Treasury, Financial Management Service (FMS) issued the Intragovernmental Fiduciary Transactions Accounting Guide, which established policies and specific accounting procedures to be implemented by all federal entities for selected level 1 transactions with the Department of the Treasury, Department of Labor, and the OPM. This guide is available on the FMS web page (<http://www.fms.treas.gov/cfs/dev>). The procedures establish consistent recording and reporting requirements for these transactions for all federal entities. The guide is designed to streamline the accounting procedures regarding intragovernmental fiduciary transactions and provide a means for federal entities to ensure accurate recording, reporting and reconciliation. These transactions are reported as Required Supplementary Information (RSI) in the annual financial statements and eliminated by the Department of the Treasury in preparing the FRUSG. The format of the RSI is in Figures 12-4 through 12-8. Since the Department of the Treasury eliminates these amounts in preparing the FRUSG, the DoD accounting centers must ensure that the balance confirmed with the trading partner agrees with the balance submitted via FACTS I.

130702. Applicability. This guidance is applicable to the following transactions:

A. Investments with the Bureau of Public Debt including interest accruals, interest income and expense and amortization of premiums and discounts.

B. Borrowings from the U.S. Treasury, the Federal Financing Bank or other entities including interest accruals, interest income and expense.

C. Transactions with the Department of Labor relating to the Federal Employees' Compensation Act including routine payments and accruals for actuarial liabilities.

D. Transactions with the OPM relating to the Federal Employees' Retirement System, the Civil Service Employees' Retirement System, Federal Employees' Life Insurance Program, and the Federal Employees' Health Benefits Program including routine payments, entries for actuarial liabilities and post retirement benefits.

The DoD accounting centers shall verify the intragovernmental balances with the above trading partners before preparing the RSI and submitting year-end data to Treasury via FACTS I. The DoD accounting centers must explain any discrepancies between their intragovernmental account balances and the reciprocal account balances of their trading partners.

130703. Tables 13-4 through 13-7 provide the SGL accounts which are used to record the intragovernmental fiduciary transactions.

A. Investments with the Bureau of the Public Debt including interest accruals, interest income and expense and amortization of premiums and discounts.

<b>SGL Account</b>	<b>Government/ Non-Gov. Attribute</b>	<b>Trading Partner Treasury Index:</b>	<b>SGL Account Title:</b>
1010	Fed		Fund Balance with Treasury
1340	Fed	20	Interest, Penalty, and Administrative Fees Receivable
1610	Fed	20	Investments in U.S. Treasury Securities Issued by Public Debt
1611	Fed	20	Discount on U.S. Treasury Securities Issued by Public Debt
1612	Fed	20	Premium on U.S. Treasury Securities Issued by Public Debt
1613	Fed	20	Amortization of Discount and Premium on U.S. Treasury Securities Issued by Public Debt
5310	Fed	20	Interest Revenue
7110	Fed	20	Gains on Disposition of Assets
7210	Fed	20	Losses on Disposition of Assets

Table 13-4

B. Borrowings from the U.S. Treasury, Federal Financing Bank or other entities including interest accruals, interest income and expense.

<b>SGL Account</b>	<b>Government/ Non-Gov. Attribute</b>	<b>Trading Partner Treasury Index:</b>	<b>SGL Account Title:</b>
1010	Fed		Fund Balance With Treasury
2510	Fed	20	Principal Payable to Treasury
2520	Fed	20	Principal Payable to the Federal Financing Bank
2140	Fed	20	Accrued Interest Payable
6310	Fed	20	Interest Expenses on Borrowing from Treasury

Table 13-5

C. Transactions with the Department of Labor relating to the Federal Employees' Compensation Act including routine payments and accruals for actuarial liabilities.

SGL Account	Government/ Non-Gov. Attribute	Trading Partner Treasury Index:	SGL Account Title:
1010	Fed		Fund Balance With Treasury
6400	Fed	16	Benefit Expense
6800	Fed	16	Future Funded Expenses
2190	Fed	16	Other Accrued Liabilities
2225	Fed	16	Unfunded FECA liability

Table 13-6

D. Transactions with the OPM relating to the Federal Employees' Retirement System, the Civil Service Employees' Retirement System, Federal Employees' Life Insurance Program and the Federal Employees' Health Benefits Program including routine payments, entries for actuarial liabilities and post retirement benefits.

SGL Account	Government/ Non-Gov. Attribute	Trading Partner Treasury Index:	SGL Account Title:
1010	Fed		Fund Balance With Treasury
2210	Fed	24	Accrued Funded Payroll and Benefits
2210	NFed		Accrued Funded Payroll and Benefits
6100	NFed		Operating Expenses/Program Costs
6400	Fed	24	Benefit Expense
5780	Fed	24	Imputed Financing Sources
6730	Fed	24	Imputed Costs

Table 13-7

130704. Tables 13-8 through 13-11 identify the information that is to be collected to perform the intragovernmental fiduciary transactions reconciliation.

A. The following schedule in Table 13-8 is applicable for investments with the U.S. Treasury.

Investments with the Treasury	
Reporting Entity:	Amount
Interest, Penalty, and Administrative Fees Receivable	
Investments in U.S. Treasury Securities Issued by Public Debt	
Discount on U.S. Treasury Securities Issued by Public Debt	
Premium on U.S. Treasury Securities Issued by Public Debt	
Amortization of Discount and Premium on U.S. Treasury Securities Issued by Public Debt	
Interest Revenue, Gains on Disposition of Assets, and Losses on Disposition of Assets	

Table 13-8

B. The following schedule in Table 13-9 is applicable for borrowings from the U.S. Treasury or the Federal Financing Bank.

<b>Borrowings from the Treasury</b>	
Reporting Entity:	Amount
Principal Payable to Treasury or Principal Payable to the Federal Financing Bank	
Accrued Interest Payable	
Interest Expenses on Borrowing from Treasury	

Table 13-9

C. The following schedule in Table 13-10 is applicable for the Department of Labor relating to the FECA.

<b>Department of Labor Federal Employees' Compensation Act (FECA)</b>	
Reporting Entity:	Amount
FECA Portion of Other Accrued Liabilities	
FECA Portion of Accrued Unfunded Liabilities	
FECA Portion of Operating Expenses/Program Costs	
FECA Portion of Future Funded Expenses	

Table 13-10

D. The following schedule in Table 13-11 is applicable for the Office of Personnel Management relating to the Federal Employees' Retirement System, the Civil Service Employees' Retirement System, Federal Employees' Life Insurance Program and the Federal Employees' Health Benefits Program.

<b>Office of Personnel Management Federal Employees' Retirement System Civil Service Employees' Retirement System Federal Employees' Life Insurance Program Federal Employees' Health Benefits Program</b>	
Reporting Entity:	Amount
Actual entity contributions remitted to the OPM during FY 2000 from Retirement Insurance Transfer System	
Plus: Accrued Funded Payroll and Benefits due to the OPM at end of year for agency contributions	
Less: Accrued Funded Payroll and Benefits due to the OPM at beginning of year for agency contributions	
Benefit Program Expense applicable to the OPM	

Table 13-11

### ★1308 TRANSFERS-IN AND TRANSFERS-OUT

130801. The Department's systems presently do not record information at the level necessary to eliminate intragovernmental transfers-in and out. Therefore, transfer-in and out data required for intragovernmental eliminations must be obtained manually. Both the receiving agency and the transferring agency must collect and report data for transfers in and out. The SFFAS No. 7 requires that transfers of assets be recorded at the book value of the transferring

entity. Accordingly, intragovernmental transfers-in of the receiving entity will be adjusted to equal intragovernmental transfers-out of the transferring entity. If the receiving entity does not know the book value, an attempt must be made to obtain the book value from the transferring entity. If the book value cannot be obtained, the asset must be recorded at its estimated fair value as of the date of transfer.

130802. Trading partners must reconcile transfers-in and out to ensure that the same dollar amounts are being recorded. Additionally, information of detail sufficient enough to ensure proper elimination must be collected at the time of the transaction. Due to the volume of transactions and the lack of adequate systems, transfers-in and out that result from transfers between inventory locations are exempt from this requirement. These transactions, however, are not exempt from the requirements of paragraph 130804, below.

130803. The DoD accounting centers and operating locations shall designate one individual responsible for documenting all of the trading partner data for the current year transfers. This individual contacts the person responsible for the other side of the transaction to verify that they have correctly recorded this item as a transfer.

130804. The following steps shall be followed for transfers-in and transfers-out that could not be worked out at the time of the transaction. See Chapter 2, Table 2-4 of this volume for milestones related to exchange of data with trading partners.

A. Step 1. The DoD accounting centers shall work with their customers to aggregate the transfer-out information by receiving entity code trial balance level. These balances shall include all levels 2 and 3 transfers-out. Each accounting center shall transmit the transfer-out totals to the appropriate accounting center responsible for the particular receiving entity code trial balance level.

B. Step 2. After the transfer-out balances are received, the accounting center maintaining the departmental level general ledger accounts for the receiving reporting entity makes departmental level adjusting entries to record any unrecorded amounts or reconcile other differences with the transfer-out records. The transfer-in amount shall be adjusted to the transfer-out amount because SFFAS No. 7 requires that the transfer of assets be recorded at the book value of the transferring entity. Additionally, it was presumed that the amounts of intragovernmental transfers-out reported by the transferring entity are more accurate than the transfer-in amounts reported by the receiving entity. The DoD accounting center for the receiving reporting entity shall use account 7190, other gains, or account 7290, other losses, to adjust the transfer in balance. The other gains or losses shall have a nonfederal attribute. Depending on the reason for the adjustment, the adjusting entries may need to be reversed at the beginning of the next fiscal year.

C. Step 3. The level 2 and level 3 eliminations shall be computed as part of the process of preparing the entity level financial statements. The DoD accounting centers shall ensure that the transfer-in and transfer-out data are in balance before the elimination entries are prepared.

★1309 PRIOR PERIOD ADJUSTMENTS

130901. Prior period adjustments shall be limited to corrections of errors and accounting changes with retroactive effect, including those occasioned by the adoption of new federal financial accounting standards, and must be recognized and measured under applicable standards. Adjustments shall be recognized as a change in cumulative results of operations (rather than as an element of net results of operations for the period). Prior period financial statements must not be restated for prior period adjustments recognized in the current period.

130902. When it is determined that a prior period adjustment is necessary for a transaction involving another federal agency, the DoD accounting centers shall identify the trading partner and determine how the transaction was recorded. The DoD accounting centers shall identify data for prior period adjustments for seller-side and buyer-side transactions. This data shall be reported in the RSI section of the financial statements and in FACTS I notes. Additionally, the DoD accounting centers must work with the trading partner to inform the Department of the Treasury about the prior period adjustment. This will assist the Department of the Treasury with eliminations on the government-wide financial statements. For example, the Department of Labor (DoL) recorded FECA revenue in the year billed, but the DoD failed to properly record the liability in the year billed. When this error was discovered, the DoD recorded a prior period adjustment in the subsequent year. The Department must inform the DoL of this adjustment. The Department and the DoL shall inform the Department of the Treasury of this adjustment.

★1310 INTRAGOVERNMENTAL CAPITALIZED PURCHASES

131001. For FY 2000, the Treasury Financial Manual, Part 2 – Chapter 4000, FACTS requires the reporting of capitalized acquisitions from government agencies in note 5, Property, Plant and Equipment. The DoD reporting entities must comply with this requirement to the maximum extent practicable. In future years, this requirement will be expanded to include trading partner identification and will be expanded beyond property, plant, and equipment. Eventually, all capitalized acquisitions from government agencies shall be reported in the notes to FACTS I and trading partners will be identified. The DoD accounting centers shall develop the capability to identify and summarize intragovernmental asset purchases by trading partner for future years financial statement reporting.

★1311 RECONCILIATION WITH LEVEL 1 TRADING PARTNERS

131101. The technical amendment to the OMB Bulletin No. 97-01 requires for fiscal years beginning after September 30, 1999 (FY 2000 and beyond), reporting entities shall reconcile intragovernmental asset, liability, and revenue amounts reported in the required supplementary information with their trading partners at least annually as of the fiscal year end. Quarterly reconciliations are encouraged.



131102. The FMS issued a final draft of the “Federal Intragovernmental Transactions Accounting Policies and Procedures Guide” on August 7, 2000. This guide is available on the FMS web page (<http://www.fms.treas.gov/cfs/dev>). This guide includes a reciprocal account section which may facilitate the reconciliation of intragovernmental transactions.

131103. The Department shall not make adjustments based on level 1 data received from its trading partners. Currently, the Department’s level 1 trading partners are not capable of providing transaction data with sufficient detail and documentation to support making an adjustment.

131104. All DoD accounting centers and DoD Components shall work jointly to extract seller-side and buyer-side information for their intragovernmental trading partners. Seller-side balances shall be accumulated by buyer-side Treasury Index. Buyer-side balances must be accumulated by seller-side Treasury Index. These balances shall include those identified in Chapter 12 of this volume. These amounts shall be reported in the RSI section of the financial statements and in the FACTS I notes. The Department of the Treasury shall use the amounts reported in the FACTS I notes to prepare the elimination entries necessary to prepare the FRUSG.

★1312 ELIMINATION OF BUDGETARY ACCOUNTS (4000 SERIES ACCOUNTS). The elimination of budgetary accounts is not required for FY 2000.

★1313 TRADING PARTNER CODES

131301. The trading partner codes are used by FMS and reported in the Federal Agencies’ Centralized Trial-Balance System Attributes.

131302. The trading partner codes in Tables 13-12 and 13-13 are used in conjunction with the general ledger accounts to identify amounts that must be eliminated when preparing financial statements. The Department of the Treasury requires the Treasury Index agency code to be used by all federal agencies for this purpose. General ledger amounts are identified by the codes in the FACTS I submissions. Table 13-12 trading partner codes are used by the Department of the Treasury in the preparation of the government-wide financial reports. These represent level 1 elimination amounts. Table 13-13 is used in the preparation of the DoD stand-alone and Agency-wide financial statements. These represent level 2 or 3 elimination amounts.

131303. Federal Agency Trading Partner Attribute Codes

<b>Part A.: Required Intrafederal Government Trading Partner Identification (Referred to as Level 1 Eliminations by the DoD)</b>	<b>Treasury Index, Trading Partner Attribute Code</b>
Library of Congress	03
Government Printing Office	04
General Accounting Office	05
Congressional Budget Office	08
Other Legislative Branch Agencies	09
The Judiciary	10
Executive Office of the President	11
Department of Agriculture	12
Department of Commerce	13
Department of the Interior	14
Department of Justice	15
Department of Labor	16
U.S. Postal Service	18
Department of State	19
Department of the Treasury	20
Resolution Trust Corporation	22
U.S. Tax Court	23
Office of Personnel Management	24
National Credit Union Administration	25
Federal Retirement Thrift Investment Board	26
Federal Communications Commission	27
Social Security Administration	28
Federal Trade Commission	29
U.S. Nuclear Regulatory Commission	31
Smithsonian Institution	33
International Trade Commission	34
Department of Veterans Affairs	36
Merit Systems Protection Board	41
Pennsylvania Avenue Development Corporation	42
U.S. Equal Employment Opportunity Commission	45
Appalachian Regional Commission	46
General Service Administration	47
Independent Agencies	48
National Science Foundation	49
Securities and Exchange Commission	50
Federal Deposit Insurance Corporation	51
Federal labor Relations Authority	54

Table 13-12

<b>Part A.: Required Intrafederal Government Trading Partner Identification (Referred to as Level 1 Eliminations by the DoD)</b>	<b>Treasury Index, Trading Partner Attribute Code</b>
Advisory Commission on Intergovernmental Relations	55
Central Intelligence Agency	56
Federal Emergency Management Agency	58
National Foundation on the Arts and the Humanities	59
Railroad Retirement Board	60
Consumer Product Safety Commission	61
Office of Special Council	62
National Labor Relations Board	63
Tennessee Valley Authority	64
Federal Maritime Commission	65
United States Information Agency	67
Environmental Protection Agency	68
Department of Transportation	69
Overseas Private Investment Corporation	71
Agency for International Development	72
Small Business Administration	73
American Battle Monuments Commission	74
Department of Health and Human Services	75
Independent Agencies	76
Farm Credit	78
National Aeronautics and Space Administration	80
Export-Import Bank of the United States	83
Armed Forces Retirement Home	84
Department of Housing and Urban Development	86
National Archives and Records Administration	88
Department of Energy	89
Selective Service System	90
Department of Education	91
Federal Medication and Conciliation Service	93
Arms Control and Disarmament Agency	94
Independent Agencies	95
Unidentifiable Federal Agency Entity (Use only for imputed financing transactions.)	00

Table 13-12 (continued)

131303. DoD Elimination Attribute Codes

<b>Part B.: Required Intra-Department of Defense Eliminations (Referred to as Level 2 Eliminations by the DoD)</b>	<b>Treasury Index Elimination Attribute Code</b>	<b>Additional Information</b>
Department of the Navy, General Funds (GF)	17	As required by the DFAS to prepare consolidating statements
Department of the Army, GF	21	As required by the DFAS to prepare consolidating statements
Department of the Air Force, GF	57	As required by the DFAS to prepare consolidating statements
U.S. Army Corps of Engineers (Civil Works)	96	As required by the USACE Finance Center to prepare consolidating statements
Military Retirement Trust Fund	97	97-8097
Department of the Army WCF	97	97-4930.001
Department of the Navy WCF	97	97-4930.002
Department of the Air Force WCF	97	97-4930.003
ODO GF	97	ODO GF, 97-XXXX As required by the DFAS to prepare consolidating statements
ODO WCF	97	97 4930.004 includes Defense Commissary Agency WCF (4J, 4K, 4**, 5J, and 5K)  97-4930.005 includes: Joint Logistics Systems Center, WCF 97X4930.005(5R10) Defense Logistics Agency WCF 97X4930.005 (5B, 5C, 5N, 5G, and 5F5) Defense Finance and Accounting Service 97X4930.005 (5L and 5F4) Defense Information Systems Agency WCF 97X4930.005 (5F2, 5F3, and 5P) MSSO/Corporate Information Management, WCF 97X4930.005 (5R20 and 5R30) Defense Security Services, WCF 97X4930.005 (5T) Headquarters Account, WCF 97X4930.005(5U) Component Level Adjustment, WCF 97X4930.005 (999)

Table 13-13

★1314 ACCOUNTS TO BE ELIMINATED. The following are SGL accounts that shall be assigned a Fed or NFed attribute. In addition, all Fed portions of these accounts also shall be assigned trading partner identification attributes. (See section 1313 of this volume.) The portion of these accounts that are coded Fed attribute and a DoD entity trading partner code shall be used in the preparation of the level 2 or 3 eliminating entries. Additionally, DoD accounting centers shall not eliminate Fed amounts attributed to non-DoD entities (level 1) during the eliminations process. Level 1 Fed amounts shall not be used to aid in the elimination of level 2 and 3 Fed amounts. The elimination of level 1 amounts is performed by Treasury to prepare the government-wide consolidated financial statements.

**Revenue and Expense**

5100 Revenue from Goods Sold  
5109 Contra-Revenue for Goods Sold  
5200 Revenue from Services Provided  
5209 Contra-Revenue for Services Provided  
5310 Interest Revenue  
5319 Contra-Revenue for Interest  
5400 Benefit program Revenue  
5409 Contra-Revenue for Benefit program Revenue  
5500 Insurance and guarantee Premium Revenue  
5509 Contra-Revenue for Insurance and Guarantee Premium Revenue  
5790 Other Financing Sources  
5900 Other Revenue  
5909 Contra-Revenue for Other Revenue  
6100 Operating Expenses/Program Expenses  
6199 Adjustment to Subsidy Expense  
6320 Interest Expenses on Securities  
6330 Other Interest Expenses  
6400 Benefit Expense  
6500 Cost of Goods or Services Sold  
6600 Applied Overhead  
6790 Other Expenses Not Requiring Budgetary Resources  
6800 Future Funded Expenses  
6900 Nonproduction Costs

**Accounts Receivable and Accounts Payable**

1310 Accounts Receivable  
1319 Allowance for Loss on Accounts Receivable  
1330 Receivable for Allocation Transfers  
1340 Interest, Penalty, and Administrative Fees Receivable  
1349 Allowance for Loss on Interest Receivable  
1350 Loans Receivable  
1690 Other Investments  
1920 Unrequisitioned Authorized Appropriations  
1921 Receivable from Appropriations

1922 Borrowings Receivable from Treasury  
1990 Other Assets  
2110 Accounts Payable  
2120 Disbursements in Transit  
2130 Contract Holdbacks  
2140 Accrued Interest Payable  
2150 Liability for Allocation Transfers  
2190 Other Accrued Liabilities  
2210 Accrued Funded Payroll and Benefits  
2220 Accrued Unfunded Liabilities  
2400 Liability for Deposit Funds and Suspense Accounts  
2530 Securities Issued by Federal Agencies Under General & Special Financing Authority, Net  
2540 Participation Certificates  
2590 Other Debt  
2920 Contingent Liabilities  
2930 Liability for Borrowings to be Received  
2950 Liability for Subsidy Related to Undisbursed Loans  
2960 Accounts Payable Canceled  
2970 Resources Payable to Treasury  
2980 Custodial Liability  
2990 Other Liabilities  
2995 Accrued Cleanup Cost

**Advances to Others and Advances from Others**

1410 Advances to Others  
1450 Prepayments  
2310 Advances from Others  
2320 Deferred Credits

**Gains and Losses**

7110 Gains on Disposition of Assets  
7190 Other Gains  
7210 Losses on Disposition of Assets  
7290 Other Losses

**Imputed Revenues and Expenses**

5780 Imputed Financing Sources  
6730 Imputed Costs

**Transfers In and Transfers Out**

5720 Financing Sources Transferred In Without Reimbursement  
5730 Financing Sources Transferred Out Without Reimbursement  
5740 Appropriated Earmarked Receipts Transferred In  
5745 Appropriated Earmarked Receipts Transferred Out  
5750 Expenditure Financing Sources - Transfers-In

- 5755 Nonexpenditure Trust Fund Financing Sources -Transfers-In
- 5760 Expenditure Financing Sources - Transfers-Out
- 5765 Nonexpenditure Trust Fund Financing Sources -Transfers-Out

**Miscellaneous**

- 7300 Extraordinary Items
- 7400 Prior Period Adjustments
- 7500 Distribution of Income - Dividend

★1315 OTHER TRANSACTIONS. If a DoD accounting center is involved in an intragovernmental transaction that is not addressed above, the DoD accounting center shall work with the trading partners at the time of the transaction to determine how the transaction is to be recorded on each of the trading partners books. If the transaction is between DoD Components (level 2 and 3), trading partners shall be identified down to the entity code trial balance level. If the transaction is with a non-DoD agency, trading partners shall be identified by Treasury Index. This will assist in the elimination of these transactions at the end of the fiscal year. The DoD accounting center shall contact the DFAS-HQ for additional instructions on processing these transactions.